

file

A copy of this prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of The Companies Act, 1934, as amended.

NEW AND OUTSTANDING ISSUES

Gurney Products Limited

(Incorporated under the laws of Canada)

\$500,000

4½% First Mortgage Sinking Fund Bonds Series A

To be dated February 15, 1951

To mature February 15, 1966

PRICE: 100 and accrued interest to yield 4½%

FEB 27 1951

\$750,000

Cumulative Redeemable Sinking Fund Preferred Shares

(\$1.60 Dividend — Par Value \$30 per share)

and

25,000 Common Shares

(Without Nominal or Par Value)

PRICE: One Preferred Share } \$33 flat per unit
One Common Share }

Capitalization

(Upon completion of the present financing)

| | Authorized | To be Outstanding |
|--|--------------|-------------------|
| First Mortgage Bonds..... | \$1,000,000 | |
| 4½% First Mortgage Sinking Fund Bonds Series A..... | | \$500,000 |
| Cumulative Redeemable Sinking Fund Preferred Shares of the par value of \$30 each—\$1.60 dividend | 50,000 shs. | 25,000 shs. |
| Common Shares without nominal or par value..... | 300,000 shs. | 100,000 shs. |

We, as principals, offer these Bonds and units of Preferred and Common Shares on the terms and conditions outlined in this prospectus.

Gairdner & Company Limited

J. A. GAIRDNER
G. P. WATT
R. O. BULL
R. P. HOWARD
C. ARMSTRONG

320 Bay Street,
Toronto

J. P. CRYSDALE
A. G. WALWYN
C. W. MACLEAN
J. S. GAIRDNER
G. BRAY

Montreal Quebec City Hamilton Kitchener Kingston Calgary

\$500,000

Gurney Products Limited

(Incorporated under the laws of Canada)

4½% First Mortgage Sinking Fund Bonds Series A

To be dated February 15, 1951

To mature February 15, 1966

Payable as to principal, premium (if any) and interest at the rate of 4½% per annum (payable semi-annually on February 15 and August 15) in lawful money of Canada at the principal office of the Company's bankers in any one of the Cities of Toronto, Montreal, Halifax, Winnipeg and Vancouver. Coupon bonds registrable as to principal only in denominations of \$500 and \$1,000. Redeemable at the option of the Company in whole or in part on thirty days' notice at 103 if redeemed on or before February 15, 1952 and thereafter decreasing ¼ of 1% of the principal amount thereof for each year commenced or elapsed from February 15, 1952 to the date of redemption until February 15, 1963 and thereafter and prior to maturity at 100, provided that if Series A Bonds are called for redemption out of sinking fund moneys the Series A Bonds will be redeemable at 101 if redeemed on or before February 15, 1961 and thereafter and prior to maturity at 100; in all cases with accrued interest to the date of redemption.

Sinking Fund

The Trust Deed will provide for a sinking fund for the retirement of the Series A Bonds into which the Company will covenant to pay on February 15 in each of the years 1952 to 1965 inclusive the sum of \$24,057 plus an amount equivalent to the annual interest on the Series A Bonds retired or the retirement of which has been provided for through the operation of the sinking fund. It is calculated that such payments will be sufficient to retire the full principal amount of the Series A Bonds by maturity.

The Company is to be entitled to purchase Series A Bonds at not exceeding the redemption price current at the time of purchase in respect of Series A Bonds redeemed otherwise than out of sinking fund moneys plus costs of purchase and tender them to the Trustee at the principal amount thereof in lieu of making sinking fund payments in cash.

Trustee: National Trust Company, Limited

In the opinion of Counsel these Series A Bonds will be investments in which The Canadian and British Insurance Companies Act, 1932, as amended, states that any company registered under it may invest its funds.

We offer, as principals, these 4½% First Mortgage Sinking Fund Bonds Series A subject to prior sale and change in price, if, as and when issued and accepted by us and subject to the approval of all legal matters by our counsel, Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, and by counsel for the Company, Messrs. Blake, Anglin, Osler & Cassels, Toronto. Our counsel will as to all matters of title rely on the opinion of counsel for the Company who in turn will rely on the opinion of other counsel with respect to properties outside Ontario.

PRICE: 100 and accrued interest to yield 4½%

It is expected that interim Series A Bonds, later exchangeable for definitive Series A Bonds, will be available for delivery on or about March 6, 1951.

The right is reserved to reject any or all applications and also in any case to award a smaller amount than that applied for.

Gurney Products Limited

(Incorporated under the laws of Canada)

\$750,000

Cumulative Redeemable Sinking Fund Preferred Shares

(\$1.60 Dividend — Par value \$30 per share)

and

25,000 Common Shares

(Without nominal or par value)

These Cumulative Redeemable Sinking Fund Preferred Shares are fully paid and non-assessable; preferred as to dividends and as to capital; entitled to fixed preferential cumulative dividends accruing from February 1, 1951 at the rate of \$1.60 per share per annum, payable quarterly (February 1, May 1, August 1 and November 1) as and when declared by the Board of Directors by cheque at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted). The holders of the Preferred Shares are entitled on the liquidation, dissolution or winding up of the Company or other distribution of its assets among its shareholders for the purpose of winding up its affairs, to receive the par value of their shares and all accrued and unpaid dividends thereon and, if such liquidation, dissolution, winding up or other distribution be voluntary, a premium of \$1.50 per share before any distribution is made to the holders of any other shares of the Company. The Company may purchase Preferred Shares for cancellation in the market or by invitation for tenders addressed to all the holders of record of the Preferred Shares at prices not exceeding \$31.50 per share plus all unpaid and accrued dividends thereon plus costs of purchase. The Preferred Shares are redeemable at the option of the Company in whole at any time or (subject to certain restrictions) in part from time to time by lot on at least 30 clear days' notice at \$31.50 per share plus all accrued and unpaid dividends.

Sinking Fund

On or before the first day of May in each year commencing with 1952, and so long as any of the Preferred Shares remain outstanding, the Company is required to set aside as a sinking fund for the retirement of the Preferred Shares an amount equal to 3% of the par value of the greatest number of Preferred Shares theretofore issued or 15% of the net profits of the Company (as defined) for the preceding fiscal year whichever shall be greater (but not exceeding the whole of such net profits), provided that the aggregate of the amounts set aside for sinking fund purposes and not used in the purchase of Preferred Shares is not required at any time to exceed \$50,000. The Company shall apply the moneys in the sinking fund as soon as reasonably possible in the purchase of Preferred Shares for cancellation subject to the limitations provided as to price.

The full provisions attaching to the Preferred Shares and Common Shares appear in the Statutory Information forming part of this prospectus.

**Transfer Agent and Registrar: National Trust Company, Limited,
Toronto and Montreal**

We, as principals, offer these Preferred Shares and Common Shares in units, subject to prior sale and change in price and subject to the approval of all legal matters by our counsel, Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, and by counsel for the Company, Messrs. Blake, Anglin, Osler & Cassels, Toronto.

The right is reserved to reject any application or to allot a smaller number of units than that applied for.

**PRICE: One Preferred Share } \$33 flat per unit
One Common Share }**

It is expected that Interim Certificates will be ready for delivery on or about March 6, 1951.

In connection with the offering of securities of Gurney Products Limited, the following information has been supplied by E. Holt Gurney, the Chairman of the Board, and G. B. Beatty, the President, of the Company.

The Company

Edward and Charles Gurney began manufacturing coal and wood-burning stoves in 1842. The business with which the Gurney name is associated has thus been in continuous operation for more than one hundred years. The Gurney Foundry Company Limited was incorporated in 1893 and in 1922 a division of that company began the manufacture of electric and gas ranges and heaters in St. Laurent, P.Q. (near Montreal). In the next twenty years the operations of this division surpassed in size those of the Toronto plant which was engaged in the production of heating equipment. In March, 1950, The Gurney Foundry Company Limited sold its Toronto plant but continued its production and distribution of stoves and ranges from the St. Laurent plant without change. Because the major foundry capacity had been sold the corporate name was changed to Gurney Industries Limited. A new company was formed in January, 1951, namely, Gurney Products Limited, to purchase the plant and equipment and certain other assets of Gurney Industries Limited as a going concern. Gurney Products Limited will continue to manufacture the same lines as the predecessor company and to sell its products under the same trademarks.

The properties of Gurney Products Limited in St. Laurent consist of ten and one-quarter acres of industrial land on which are located several factory buildings having a total floor space of 202,000 square feet.

The Company is one of the largest manufacturers of electric, gas, and coal and wood ranges in Canada. Its products are sold under the Gurney name from coast to coast through an established organization of dealers and jobbers. Branch offices are located in Montreal, Vancouver and Winnipeg.

The Company maintains an engineering and experimental department which has contributed to the continuous improvement of the high standards of the Company's products in regard to efficiency and design. The predecessor company was particularly successful in developing increased production and sales in spite of recurrent material shortages of one kind or another which have characterized the wartime and post-war periods.

The Board of Directors is of the opinion that the long established reputation of Gurney products in Canadian homes represents an asset of considerable value to the shareholders of the Company.

Capitalization

(upon completion of the present financing)

| | Authorized | To be Outstanding |
|--|--------------|-------------------|
| First Mortgage Bonds..... | \$1,000,000 | |
| 4½% First Mortgage Sinking Fund Bonds Series A, due February 15, 1966.. | | \$500,000 |
| Cumulative Redeemable Sinking Fund Preferred Shares of the par value of \$30 each—\$1.60 dividend..... | 50,000 shs. | 25,000 shs. |
| Common Shares without nominal or par value..... | 300,000 shs. | 100,000 shs. |

Series A Bonds

The 4½% First Mortgage Sinking Fund Bonds Series A will, in the opinion of Counsel, be secured by a first fixed and specific mortgage, hypothec, pledge or charge on all the real and immovable freehold properties now owned by the Company and all the issued shares (except directors' qualifying shares) of the subsidiaries of the Company and a floating charge on the undertaking and all other assets of the Company now owned or hereafter acquired and not validly subjected to the specific mortgage, hypothec, pledge or charge. The first fixed and specific mortgage, hypothec, pledge or charge will be expressed to be applicable to all real and immovable freehold properties hereafter acquired by the Company. Certain of the more important provisions to be contained in the trust deed are described on pages 12 and 13 hereof.

Purpose of the Issue

The proceeds of the sale of the 4½% First Mortgage Sinking Fund Bonds Series A presently to be issued will be used by the Company to pay the balance of the purchase price of the assets acquired from Gurney Industries Limited.

Earnings

The following report has been received from the auditors of the Company, Messrs. George A. Touche & Co:

To the Directors

23rd February, 1951.

GURNEY PRODUCTS LIMITED:

We have examined the following statement of consolidated earnings of Gurney Industries Limited (formerly The Gurney Foundry Company Limited) and Subsidiary Companies for the ten years ended the 31st December, 1950, and the period ended the 29th January, 1951. In connection therewith, we have made an examination of the books and accounts of the companies for the year ended the 31st December, 1950, and the period ended the 29th January, 1951 and have reviewed statements reported upon by the companies' previous auditors for the nine years ended the 31st December, 1949.

Gurney Industries Limited and Subsidiary Companies

STATEMENT OF CONSOLIDATED EARNINGS

for the ten years ended the 31st December, 1950 and the period ended the 29th January, 1951

| | Earnings from operations and miscellaneous income before depreciation, bond interest and taxes | Depreciation (Note a) | Earnings available for bond interest | Interest on bonds | Earnings before taxes on income | Taxes on income | Net earnings |
|--------------------------|--|-----------------------|--------------------------------------|-------------------|---------------------------------|-----------------|--------------|
| 1941..... | \$302,527 | \$161,556 | \$140,971 | \$ 48,288 | \$ 92,683 | \$ 33,200 | \$ 59,483 |
| 1942..... | 216,974 | 143,235 | 73,739 | 45,995 | 27,744 | 13,800 | 13,944 |
| 1943..... | 163,727 | 94,632 | 69,095 | 42,640 | 26,455 | 8,000 | 18,455 |
| 1944..... | 129,693 | 77,407 | 52,286 | 37,447 | 14,839 | 4,900 | 9,939 |
| 1945..... | 217,719 | 94,527 | 123,192 | 33,957 | 89,235 | 39,500 | 49,735 |
| 1946..... | 260,450 | 77,705 | 182,745 | 28,308 | 154,437 | 87,000 | 67,437 |
| 1947..... | 374,217 | 76,400 | 297,817 | 16,703 | 281,114 | 138,000 | 143,114 |
| 1948..... | 402,723 | 82,312 | 320,411 | 27,869 | 292,542 | 116,200 | 176,342 |
| 1949..... | 894,276 | 107,411 | 786,865 | 25,275 | 761,590 | 330,000 | 431,590 |
| 1950 (Note b) | 726,054 | 16,964 | 709,090 | 8,955 | 700,135 | 316,000 | 384,135 |
| 1951 to Jan. 29 (Note c) | | | | | | | |

- NOTES: (a) Provision for depreciation has been based upon the rates and values of fixed assets recognized for income tax purposes for Gurney Industries Limited. The adoption of the reducing balance method of computing depreciation caused an increase in the provision in 1949 and the sale of the West Toronto plant a decrease in 1950.
- (b) The West Toronto plant known as Heating Equipment Division, including inventories and goodwill belonging to it, was sold in March, 1950.
- (c) For the period from January 1 to January 29, 1951 the earnings from operations and miscellaneous income were \$1,075, the taxes on income amounted to \$500 and net earnings were \$575. Because of the seasonal nature of the stove business these earnings do not give any indication with regard to the profits for the whole year.
- (d) This statement does not include non-recurring items, the net totals of which for the periods were
- | | | |
|---|-------------|-----------|
| Profits on sales of property, plant and equipment..... | Credit.... | \$400,161 |
| Profits on sales of investments | Credit.... | 14,678 |
| Discount and expenses in connection with issue and redemption of company's own bonds..... | Debit | 54,594 |
| Other miscellaneous items..... | Credit..... | 15,984 |

We have examined also the statement shown below of consolidated earnings considered applicable to the Stove Division, which has been prepared from the statement shown above on the following basis: sales, cost of sales, depreciation and other direct charges and costs have been taken at the actual amounts applicable to the Stove Division; income from investments, other miscellaneous income and charges have been apportioned equally between the heating and stove operations; administrative and financial expenses, including bond interest, have been apportioned on the basis of sales; taxes on income have been calculated on the taxable income using the rates in effect during the respective years.

Gurney Industries Limited and Subsidiary Companies

STATEMENT OF CONSOLIDATED EARNINGS CONSIDERED APPLICABLE TO THE STOVE DIVISION for the ten years ended the 31st December, 1950

| | Earnings from operations and miscellaneous income before depreciation, bond interest and taxes on this ascribed income | Deprecia- tion (Note e) | Earnings avail- able for bond interest | Interest on bonds | Earnings before taxes on income | Taxes on ascribed income | Net earnings |
|-----------|---|-------------------------------|--|-------------------------|--|-----------------------------------|-----------------|
| 1941..... | \$194,698 | \$ 56,673 | \$138,025 | \$ 27,524 | \$110,501 | \$ 56,800 | \$ 53,701 |
| 1942..... | 139,449 | 50,479 | 88,970 | 23,020 | 65,950 | 23,700 | 42,250 |
| 1943..... | 195,785 | 30,144 | 165,641 | 23,878 | 141,763 | 89,600 | 52,163 |
| 1944..... | 169,715 | 27,103 | 142,612 | 21,345 | 121,267 | 73,600 | 47,667 |
| 1945..... | 155,302 | 27,846 | 127,456 | 19,695 | 107,761 | 52,800 | 54,961 |
| 1946..... | 225,971 | 26,035 | 199,936 | 15,003 | 184,933 | 98,300 | 86,633 |
| 1947..... | 235,563 | 26,347 | 209,216 | 8,853 | 200,363 | 100,300 | 100,063 |
| 1948..... | 265,671 | 27,114 | 238,557 | 15,885 | 222,672 | 88,600 | 134,072 |
| 1949..... | 560,621 | 42,706 | 517,915 | 13,902 | 504,013 | 209,300 | 294,713 |
| 1950..... | 579,635 | 16,964 | 562,671 | 8,060 | 554,611 | 242,900 | 311,711 |

NOTE: (e) The provision for depreciation for future years by Gurney Products Limited will be related to the carrying values on the books of that Company. It is estimated that approximately \$15,000 will be recognized as a charge to taxable income in 1951.

Based upon the examination and reports of previous auditors referred to in the foregoing, we report that in our opinion the foregoing statements of consolidated earnings fairly present the results of the operations of Gurney Industries Limited and its subsidiaries for the periods shown and of the consolidated earnings ascribed to the Stove Division for the ten years ended the 31st December, 1950.

GEORGE A. TOUCHE & Co.
Chartered Accountants, Auditors.

In order to illustrate the past earning power of the Company and its subsidiaries in relation to the Series A Bonds and the Preferred Shares the following computations have been made from the above statement of consolidated earnings considered applicable to the Stove Division of Gurney Industries Limited on the basis of actual provisions for depreciation, income taxes calculated at 45% of taxable income and the maximum annual interest requirements on the Series A Bonds presently to be issued but such computations are not to be taken as a representation as to the amount available for payment of interest or dividends in the periods covered.

The maximum annual interest requirements on the Series A Bonds presently to be issued amount to \$22,500 and would have been covered on the average during the ten year period ended December 31, 1950 12.10 times before depreciation and 10.63 times after depreciation and for the year ended December 31, 1950 25.76 times before depreciation and 25.01 times after depreciation, in each case before bond interest and taxes on income.

The maximum annual dividend requirements on the Preferred Shares outstanding amount to \$40,000 and on the basis previously outlined would have been covered on the average 3.0 times during the ten year period ended December 31, 1950 and for the year ended December 31, 1950 would have been covered 7.4 times.

Assets

A pro forma consolidated balance sheet of the Company and its subsidiaries as at January 29, 1951 appears herein. Based on this balance sheet, the consolidated net tangible assets are as follows:

| | | |
|--|-------------|-------------|
| Current Assets..... | \$1,303,305 | |
| Less: Current Liabilities..... | 316,176 | |
| Net Current Assets..... | | \$ 987,129 |
| Net Fixed Assets..... | | 975,269 |
| Other Assets..... | | 24,772 |
| Net Tangible Assets..... | | \$1,987,170 |
| Less: Series A Bonds, at call price | | 515,000 |
| Net Tangible Assets applicable to the Preferred Shares.. | | \$1,472,170 |

On the basis of the foregoing the consolidated net tangible assets per \$1,000 principal amount of Series A Bonds to be outstanding amount to \$3,974 and the consolidated net tangible assets applicable to the 25,000 outstanding Preferred Shares (par value \$30 per share) amount to \$58.89 per share.

Management

The management of The Gurney Foundry Company Limited (later Gurney Industries Limited) has continued in charge of the operations of Gurney Products Limited. No changes of general policy in the manufacture and distribution of the products of the St. Laurent plant are contemplated.

Gurney Products Limited

(Incorporated under the laws of Canada, the 24th January, 1951)

and its subsidiaries

THE GURNEY MASSEY COMPANY LIMITED,
GURNEY NORTH-WEST FOUNDRY COMPANY LIMITED, GURNEY FINANCE LIMITED

Consolidated Balance Sheet as at the 29th January, 1951

and

Pro Forma Consolidated Balance Sheet as at the 29th January, 1951 after giving effect to

- (1) The proposed issue and sale of \$500,000 principal amount of 4½% First Mortgage Sinking Fund Bonds Series A.
- (2) The application of the net proceeds of \$480,000 in payment of the balance due to Gurney Industries Limited.

Assets

| | | Actual Consolidated Balance Sheet | Pro Forma Consolidated Balance Sheet |
|--|-----------|---|--|
| CURRENT ASSETS | | | |
| Cash on hand and in banks (Note 1) | | \$ 202,186 | \$ 202,186 |
| Accounts and notes receivable less provision for doubtful accounts | | | |
| Trade accounts | \$299,829 | | |
| Instalment notes | 30,733 | 330,562 | 330,562 |
| Inventories of finished goods, goods in process, materials and supplies, valued at the lower of cost or market, as certified by responsible officials (Note 2) | | 760,229 | 760,229 |
| Cash surrender value of life insurance policies | | 10,328 | 10,328 |
| | | <u>1,303,305</u> | <u>1,303,305</u> |
| PREPAID INSURANCE and other expenses | | 23,247 | 23,247 |
| PROPERTY, PLANT AND EQUIPMENT (Note 3) | | | |
| Land | \$ 68,000 | | |
| Buildings, machinery and equipment | 907,269 | 975,269 | 975,269 |
| SUNDRY INVESTMENTS, at cost | | 1,525 | 1,525 |
| | | <u>\$2,303,346</u> | <u>\$2,303,346</u> |

Liabilities and Capital

| | | | |
|---|-----------|--------------------|--------------------|
| CURRENT LIABILITIES | | | |
| Provision for income and other taxes payable | | \$ 30,020 | \$ 30,020 |
| Accounts payable and accrued charges | | 286,156 | 286,156 |
| | | <u>316,176</u> | <u>316,176</u> |
| Balance due on purchase from vendor company, Gurney Industries Limited | | 480,000 | — |
| | | <u>796,176</u> | |
| FUNDED DEBT | | | |
| First Mortgage Bonds: | | | |
| Authorized—\$1,000,000 | | | |
| Issued and outstanding—4½% Sinking Fund Bonds Series A, maturing the 15th February, 1966 | | — | 500,000 |
| CAPITAL STOCK | | | |
| Authorized: | | | |
| 50,000 Cumulative redeemable sinking fund preferred shares of the par value of \$30.00 each, entitled to an annual dividend of \$1.60 per share; redeemable at \$31.50 per share. | | | |
| 300,000 Common shares without nominal or par value. | | | |
| Issued: (Note 4) | | | |
| 25,000 Preferred shares for cash | \$750,000 | — | — |
| 100,000 Common shares (of which 49,000 were issued for \$132,300 cash and 51,000 were issued under the terms of the agreement for the purchase of certain assets of the vendor company) | 300,000 | 1,050,000 | 1,050,000 |
| CAPITAL SURPLUS arising from the revaluation of assets less charges as described in Note 5 | | 457,170 | 437,170 |
| | | <u>\$2,303,346</u> | <u>\$2,303,346</u> |

Approved on behalf of the Board

G. B. BEATTY, Director R. OATEN, Director

The accompanying Notes to Financial Statements are an integral part of these Balance Sheets.

To the Directors,
GURNEY PRODUCTS LIMITED:

We have examined the above Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet of Gurney Products Limited and Subsidiary Companies as at the 29th January, 1951, and have obtained all the information and explanations which we require. Our examination of inventories has been limited to the testing of prices and arithmetical calculations on the inventory sheets presented to us.

Based upon such examination, we report that in our opinion the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs as at the 29th January, 1951, according to the best of our information and the explanations given to us, and as shown by the books of the companies.

We further report that, in our opinion, the above Pro Forma Consolidated Balance Sheet fairly presents the financial position of such companies as at the 29th January, 1951, after giving effect, as at that date, to the proposed transactions set out in the heading to these balance sheets.

GEORGE A. TOUCHE & CO.

Dated at Toronto, Ontario, 23rd February, 1951.

Chartered Accountants, Auditors.

Gurney Products Limited

NOTES TO FINANCIAL STATEMENTS AS AT THE 29TH JANUARY, 1951.

(1) CASH ON HAND AND IN BANKS

This balance includes items in transit at the date of the balance sheet amounting to \$834,802 which have since been deposited and gives effect to the payment of \$827,930 to Gurney Industries Limited.

(2) INVENTORIES

The inventory amounts have been determined from a physical count made as at the 31st December, 1950, adjusted for subsequent purchases and sales as recorded in the accounts of the vendor company, Gurney Industries Limited.

(3) PROPERTY, PLANT AND EQUIPMENT

These assets are represented on the Balance Sheet at valuations determined by the Directors as of the 29th January, 1951, after their having reviewed an appraisal showing the cost to reproduce new less depreciation made for the vendor company on the 1st May, 1949, by Stone & Webster Engineering Corporation of Boston, Mass., U.S.A., and taking into consideration additions and disposals since that time, and depreciation at rates allowed by the Department of National Revenue, Income Tax Division. These values as finally determined by the Directors are less than the adjusted depreciated appraisal figures by approximately \$500,000.

(4) CAPITAL STOCK

The charter contains conditions governing the rights of the preferred shareholders, and restrictions on dividends on the common shares. The trust deed to secure the First Mortgage Bonds will contain restrictions on the payment of dividends on the common shares in certain events.

(5) CAPITAL SURPLUS

This is made up as follows:

| | |
|--|-------------------|
| Increase in book amount of property, plant and equipment | \$ 661,670 |
| Less: Goodwill and commission on issue of preferred shares written off | 204,500 |
| Balance per Actual Consolidated Balance Sheet | 457,170 |
| Less: Discount on bonds to be issued in 1951 | 20,000 |
| Balance per Pro Forma Consolidated Balance Sheet | <u>\$ 437,170</u> |

(6) VENDOR COMPANY

In December, 1950 the vendor company, Gurney Industries Limited, realized \$975,949 by disposing of investments in bonds, mortgages and certain life insurance policies on officers and employees and a distribution to shareholders of \$1,000,048 was made in December, 1950. The sale by Gurney Industries Limited did not include a mortgage receivable of \$112,500 carried on the books at \$106,642 and its interest in Gurney Properties Limited, a wholly owned subsidiary, with a net value on the books of \$2,527 on a consolidated basis.

STATUTORY INFORMATION

1. Gurney Products Limited (hereinafter called the "Company") was incorporated by Letters Patent dated January 24, 1951 under the laws of Canada. The Head Office of the Company is at 1893 Davenport Road, Toronto, Ontario.

2. The general nature of the business actually transacted by the Company is the manufacture and sale of electric and gas ranges and cooking and heating stoves.

3. Directors

EDWARD HOLT GURNEY.....Manufacturer.....347 Walmer Road, Toronto, Ontario.
GEOFFREY BYRNE BEATTY.....Manufacturer.....R.R. 1, Richmond Hill, Ontario.
HARRY WILLIAM ROY OATEN.....Manufacturer.....38 Burnside Drive, Toronto, Ontario.
THOMAS EVERETT NICHOL.....Purchasing Executive.....17 Dobie Street, Mount Royal, Quebec.
JAMES ARTHUR GAIRDNER.....Investment Dealer.....Lakeshore Highway East, Oakville, Ontario.
ARTHUR GLADSTONE WALWYN.....Investment Dealer.....39 South Drive, Toronto, Ontario.
ROY STEWART MINTO AUSMAN....Executive.....44 Birchview Crescent, Toronto, Ontario.

Officers

EDWARD HOLT GURNEY.....Chairman of the Board.....347 Walmer Road, Toronto, Ontario.
GEOFFREY BYRNE BEATTY.....President.....R.R. 1, Richmond Hill, Ontario.
HARRY WILLIAM ROY OATEN.....Vice-President.....38 Burnside Drive, Toronto, Ontario.
JAMES ARTHUR GAIRDNER.....Vice-President.....Lakeshore Highway East, Oakville, Ontario.
ROY STEWART MINTO AUSMAN....Secretary-Treasurer.....44 Birchview Crescent, Toronto, Ontario.

Auditors

GEORGE A. TOUCHE & Co.....67 Yonge Street, Toronto, Ontario.

Registries and Transfer Agents

(i) As to the 4½% First Mortgage Sinking Fund Bonds Series A, National Trust Company, Limited, 20 King Street East, Toronto and 225 St. James St. West, Montreal.

(ii) As to the cumulative redeemable sinking fund preferred shares, National Trust Company, Limited, 20 King Street East, Toronto and 225 St. James St. West, Montreal.

(iii) As to the common shares, National Trust Company, Limited, 20 King Street East, Toronto and 225 St. James St. West, Montreal.

4. The authorized share capital of the Company consists of:

(i) 50,000 cumulative redeemable sinking fund preferred shares (hereinafter referred to as "preferred shares") of the par value of \$30 each of which 25,000 have been issued and are outstanding and fully paid up and are offered by this prospectus;

(ii) 300,000 common shares without nominal or par value of which 100,000 have been issued and are outstanding and fully paid up and of which 25,000 are offered by this prospectus.

The respective rights, restrictions, conditions and limitations attaching to the said shares are as follows:

1. The holders of the preferred shares shall be entitled to receive and the company shall pay to them, as and when declared by the Board of Directors of the company out of moneys of the company properly applicable to the payment of dividends, fixed, preferential, cumulative cash dividends at the rate of \$1.60 per share per annum and no more, payable in quarterly instalments of 40c each on the first days of February, May, August and November in each year by cheque of the company, payable at par at any branch in Canada of the company's bankers for the time being (except far northern branches as from time to time designated by such bankers). The dividends shall accrue and be cumulative from such date or dates as may in the case of each issue be determined by the Board of Directors of the company or in case no such date be determined then from the date of allotment. If on any dividend payment date the company shall not have paid the said dividends in full on all preferred shares then outstanding such dividends or the unpaid part thereof shall be paid on a subsequent date or dates determined by the Directors in priority to dividends on any other shares in the capital stock of the company, and no dividends shall be declared or paid on or set apart for any such other shares unless all accrued, cumulative dividends of the preferred shares then outstanding shall have been declared and paid or provided for at the date of such declaration or payment or setting apart.

2. The holders of the preferred shares shall be entitled, on the liquidation, dissolution or winding up of the company or other distribution of its assets among its shareholders for the purpose of winding up its affairs, to receive the par value of their shares together with an amount equal to all accrued and unpaid dividends thereon (which for such purpose shall be treated as accruing to the date of distribution), whether or not earned or declared and, if such liquidation, dissolution, winding up or other distribution be voluntary, a premium of \$1.50 per share before any distribution shall be made to the holders of any other shares in the capital stock of the company but shall not be entitled to any further participation in any distribution of the assets of the company.

3. (a) On or before the first day of May in each year commencing with the year 1952 and continuing so long as any preferred shares remain outstanding, the company shall set aside as a sinking fund for the retirement of the preferred shares, an amount equal to 3% of the par value of the greatest number of preferred shares theretofore issued or 15% of the net profits of the company for the preceding fiscal year whichever shall be greater. Provided, however, that if such net profits be less than such amount then the company shall so set aside an amount equal to the whole of such net profits and if there be not net profits for the preceding fiscal year the company shall not be required to set aside any sum by way of sinking fund in respect of such year; and provided further that if under the foregoing provision the company would be required to set aside in any year for sinking fund purposes an amount which when added to the amount then in the sinking fund will aggregate an amount in excess of \$50,000 then the company in such year shall only be required to set aside for sinking fund purposes an amount (if any) which when added to the said amount then in the sinking fund will equal \$50,000.

(b) The company shall use and apply the moneys from time to time in the sinking fund, as soon as and whenever it is reasonably possible so to do, in the purchase of preferred shares for cancellation in the manner and subject to the limitations provided in paragraph 4 hereof. To the extent that it is not possible to use and apply any moneys in the sinking fund as aforesaid by reason of the fact that preferred shares cannot be so purchased within the limitation as to price provided in paragraph 4 hereof the company shall not be obligated to make any application of moneys in the sinking fund but shall accumulate, hold and reserve the same until preferred shares can so be purchased and so on from time to time so long as any of the preferred shares remain outstanding.

(c) Pending the application of sinking fund moneys as hereinafter provided the same shall be kept separate from other moneys of the company and shall not be used for any purpose except the purchase of preferred shares for cancellation as herein provided.

(d) The company may at any time anticipate the whole or any part of its sinking fund obligations hereunder by setting aside cash in the sinking fund or by purchasing preferred shares for cancellation as herein provided and crediting the par value thereof (irrespective of the cost thereof to the company) in reduction of the amount of its sinking fund obligations thereafter becoming due.

(e) All preferred shares purchased for sinking fund purposes shall be deemed to have been redeemed and shall be cancelled and shall not be reissued.

(f) If on the first day of May in any year the company shall not set aside such moneys as it is obligated to set aside for sinking fund purposes the required sum shall thereafter be set aside before any dividends shall be declared or paid upon or set apart for any other shares of the company.

4. The company may from time to time purchase for cancellation preferred shares in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the preferred shares at the lowest price at which, in the opinion of the Board of Directors such shares are obtainable, but not exceeding the sum of \$31.50 per share plus all accrued and unpaid preferential dividends (which for such purposes shall be calculated as if such dividends were accruing up to the date of purchase) and plus costs of purchase. If upon any invitation for tenders under the provisions of this paragraph the company shall receive tenders of preferred shares at the same price in an aggregate number greater than the number which the company is willing to purchase at that price the preferred shares so tendered shall be purchased as nearly as may be pro rata (disregarding fractions) according to the number of preferred shares so tendered by each of the holders thereof who submitted tenders at that price. Preferred shares purchased pursuant to the provisions in this paragraph shall be deemed to be redeemed and shall be cancelled and shall not be reissued.

5. The company shall have the right to redeem in the manner hereinafter provided at any time the whole or, provided that the company is not then in default of its obligations in respect of the sinking fund for preferred shares and that all dividends on the preferred shares then outstanding up to and including the dividend payable in respect of the then current quarter have been declared and paid or provided for, from time to time any part of the then outstanding preferred shares on payment for each such share of the sum of \$31.50 plus all accrued and unpaid dividends thereon (which for such purpose shall be treated as if such dividends were accruing up to the date of redemption) whether or not earned or declared, the whole constituting the redemption price. In case less than all of the preferred shares outstanding are at any time to be redeemed the shares to be redeemed shall be selected by lot in such equitable manner as may from time to time be determined by the Board of Directors.

6. Whenever any of the preferred shares are to be redeemed notice of redemption shall be given by the company by a letter or circular mailed by prepaid ordinary post in an envelope addressed to each person who, at the date of such mailing, is the registered holder of preferred shares to be redeemed, at his last address appearing upon the register, not less than 30 clear days prior to the redemption date; provided that accidental failure to give any such notice to one or more of such holders shall not affect the validity of the redemption. Every such notice shall specify the redemption date, the redemption price and, unless all the preferred shares held by the person to whom it is addressed are to be redeemed the number so to be redeemed; and shall state that the redemption price will be paid to the respective registered holders of the shares so called for redemption on presentation and surrender of the certificates representing such shares at the place or at one of the places of payment named in the notice and that dividends shall cease to accrue upon the said shares from and after the redemption date. On and after the redemption date the company shall pay or cause to be paid to or to the order of the holders of the preferred shares called for redemption the redemption price on presentation and surrender of the respective certificates representing such shares at the place or at one of the places named in the notice; provided that if notice of any such redemption be given as aforesaid and an amount equal to the redemption price of all the preferred shares called for redemption be deposited on or before the redemption date with such of the company's bankers or transfer agents as may be specified in the notice, the preferred shares called for redemption shall be deemed to be redeemed on the redemption date specified in the notice and the rights of each holder thereof shall be limited to receiving, without interest, his proportionate part of the total redemption price so deposited upon presentation and surrender of the certificate or certificates held by him. If less than all the preferred shares represented by any certificate be redeemed, a new certificate for the balance shall be issued.

7. So long as any of the preferred shares are outstanding the company shall not pay any dividend on or redeem, purchase or pay off any shares of its capital stock other than the preferred shares unless:—

(i) all the dividends on the preferred shares then outstanding up to and including the dividend payable for the current quarter shall have been declared and paid or provided for;

(ii) the company shall have fully complied with its obligations up to that date in respect of the sinking fund for the preferred shares; and

(iii) the amount of the company's net current assets exceeds the par value of the preferred shares then outstanding by an amount at least sufficient to provide for such redemption, purchase, payment off or dividend;

8. (a) If and whenever the company shall fail to pay 6 quarterly dividend instalments on the preferred shares, whether consecutive or not and whether or not earned or declared, or shall make default under the sinking fund provisions hereinafter contained relating to the preferred shares, and so long thereafter as any dividends on the preferred shares remain in arrears or any default under the said sinking fund provisions continues, the holders of the preferred shares shall be entitled at all meetings of shareholders of the company to one vote for each such share held by them and shall be entitled, as a class, to elect 2 members of the

Board of Directors of the company if the Board consists of 7 or less Directors or 3 members of the Board of Directors if the Board consists of more than 7 Directors; save as aforesaid and except as hereinafter specifically provided, the holders of the preferred shares shall have no voting rights in respect thereof. The holders of the preferred shares shall not be entitled to receive notice of or attend any meetings of shareholders of the company except those at which they are entitled to vote, but the company shall mail to them copies of the financial statements and of the Directors' report thereon submitted to annual meetings of shareholders.

(b) Notwithstanding anything contained in the by-laws of the company, all Directors of the company in office at a time when voting rights shall accrue to the holders of the preferred shares under clause (a) of this paragraph 8 or who may become Directors thereafter and prior to the meeting of shareholders hereinafter referred to, shall retire at the next annual meeting of shareholders or at an earlier special general meeting of shareholders which may be held for the purpose of electing Directors at any time after the accrual of such voting rights upon not less than 20 days written notice and shall be called by the Secretary of the company upon written request of the holders of record of at least one-tenth of the outstanding preferred shares; in default of the calling of such special general meeting by the Secretary within 5 days after the making of such request, it may be called by any holder of record of preferred shares. Any vacancy occurring among members of the Board of Directors elected to represent the holders of preferred shares in accordance with the foregoing provisions may be filled by the Board with the consent and approval of the remaining Director or Directors elected in accordance with the foregoing provision to represent the holders of preferred shares but if there be no such remaining Director the Board may elect a holder or holders of preferred shares to fill the vacancy or vacancies. The holders of record of at least one-fifth of the outstanding preferred shares shall have the right to require the Secretary of the company to call a meeting of the holders of the preferred shares for the purpose of filling such vacancy or vacancies not filled by the Board or for the purpose of replacing either or both of the persons elected by the Board to fill such vacancies and the foregoing provisions of this clause (b) of paragraph 8 shall apply in respect of the calling of such meeting. Notwithstanding anything contained in the by-laws of the company, upon any termination of the voting rights of the holders of the preferred shares as herein provided the term of office of the Directors elected to represent the holders of preferred shares shall forthwith terminate.

9. So long as any of the preferred shares are outstanding the company shall not without, but may from time to time with, the approval of the holders of the preferred shares:—

(a) repeal, alter, modify or amend these provisions relating to the preferred shares, increase the authorized number or amount of the preferred shares or create any shares ranking as to capital or dividends in priority to or on a parity with the preferred shares, subject to the same being confirmed by Supplementary Letters Patent;

(b) issue any preferred shares in excess of 25,000 preferred shares unless the net profits of the company for any 12 consecutive calendar months out of the 18 calendar months next preceding the date of such issue shall have been at least equal to $2\frac{1}{2}$ times the annual dividend requirements on the total of the preferred shares which will be outstanding immediately after such issue provided that for the purpose of this calculation "net profits" shall be calculated without deduction of any amount in respect of dividends on the preferred shares outstanding immediately before such issue;

(c) voluntarily wind-up its affairs, surrender its charter, sell, lease or otherwise dispose of its assets and undertaking as an entirety or substantially as an entirety or take any other step with a view to the discontinuance of its undertaking;

(d) sell or otherwise dispose of the shares of any subsidiary or cause or permit any subsidiary to sell, lease or otherwise dispose of its assets and undertaking as an entirety or substantially as an entirety otherwise than to the company or to another subsidiary unless the book value of the assets of such subsidiary shall, according to a report of the company's auditors, comprise less than 10% of the book value of the consolidated assets of the company and all its subsidiaries (excluding in both cases inter-company items) as of a date not more than 120 days before the date of such sale, lease or other dispositions;

(e) create or issue or permit any subsidiary to create or issue any bonds, debentures, debenture stock, notes or other evidence of indebtedness; or create or assume or permit any subsidiary to create or assume any mortgage or other encumbrance on any part of its real or personal property, assets or undertaking; provided that this clause (e) shall not apply to or prohibit (i) the borrowing by the company or any subsidiary from bankers or others or by any subsidiary from the company by way of current loan in the ordinary course of its business or the giving of security in respect of any such current loan; or (ii) the creation or assumption by the company or any subsidiary of any mortgage or other encumbrance on property acquired by the company or such subsidiary after the first day of February 1951, if the amount of such mortgage or encumbrance does not exceed 75% of the cost of such property plus expenditure upon subsequent improvements, less reasonable depreciation thereon, as shown by the report of the company's auditors at the time of the creation or assumption of such mortgage or encumbrance; or (iii) the renewal or refunding of any mortgage or encumbrance permitted under clause (ii) of this clause (e) to the extent of the principal amount thereof at the time of such renewal or refunding; or (iv) the creation prior to July 1, 1951 and the issue from time to time of bonds of the company of a maximum principal amount of \$1,000,000 and the securing of such bonds by the company and/or by a subsidiary company. "Current loan" as used in this clause (e) means a loan or renewal of a loan which is repayable on demand or at a date not later than 12 months from the date of making or renewing the same, as the case may be.

10. For all purposes of these provisions:—

(a) "Subsidiary" shall mean and include a corporation of whose capital stock the company owns or controls not less than 51% of the outstanding shares carrying voting rights at all times provided that the ownership or control of such shares confers the right at all times to elect at least a majority of the Board of Directors of such corporation; and any other corporation in like relation to a subsidiary.

(b) "Net current assets" shall be computed from a balance sheet of the company (or, if at the time the company has one or more subsidiaries, from a consolidated balance sheet of the company and its subsidiaries) prepared in accordance with generally accepted accounting practice as at a date not more than 120 days prior to the date on which the computation is required and reported on by the company's auditors, by deducting the amount of all the liabilities shown on such balance sheet (including the unapplied balance of moneys set aside or which should have been set aside as a sinking fund under paragraph 3 hereof) other than amounts provided or reserved for liabilities not maturing within one year and liabilities to shareholders in respect of capital stock and surplus, from the aggregate sum of the following assets shown on the said balance sheet:—

(i) cash on hand and on deposit and amounts receivable in cash on demand or within not more than 12 months less adequate reserves; (ii) stocks of manufactured products, products in course of manufacture, material and supplies valued on a basis not in excess of cost or market, whichever is the lower; (iii) shares listed on a recognized stock exchange and bonds and debentures having a recognized public market valued at the lower of cost or market; and (iv) the cash surrender value of life insurance policies in which the company or a subsidiary is designated as the beneficiary;

(c) "Net Profits" shall mean the balance of profit of the company and its subsidiaries, if any, as determined by the company's auditors on a consolidated basis in accordance with generally accepted accounting practice after all usual and proper charges and expenses have been deducted including, without limiting the generality of the foregoing, provision or reserve for payment of all taxes upon and in respect of profits and for depreciation and for capital assets written off and charged against profits during the year and after deducting interest on indebtedness and an amount equal to the dividends on the preferred shares accruing during such fiscal year at the full stipulated rate;

(d) (i) The approval of the holders of preferred shares may be given (i) by resolution passed at a meeting of holders of preferred shares duly called for the purpose upon at least 15 days' notice and at which the holders of at least a majority of the outstanding preferred shares are present or represented by proxy by the affirmative vote of the holders of not less than two-thirds of the preferred shares represented and voted at such meeting, cast on a poll; or (ii) by an instrument or instruments in writing signed by the holders of a majority of the preferred shares then outstanding after notice to such holders of the proposal approved by such instruments; provided that the company shall not have received within 15 days after giving such notice protests in writing signed by the holders of one-quarter or more of the preferred shares then outstanding. If at a meeting of holders of preferred shares called pursuant to this clause (d) (i) a quorum as above provided is not present within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date not less than 21 days later and to such time and place as may be appointed by the Chairman and at least 15 days' notice shall be given for such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of preferred shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than two-thirds of the preferred shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of preferred shares for the purpose of these provisions.

(ii) Except as otherwise specifically provided herein the formalities to be observed with respect to the giving of notice of and the conduct of any meeting of holders of preferred shares shall be those from time to time prescribed in the by-laws of the company with respect to meetings of shareholders. Upon every poll taken at every such meeting every holder of preferred shares present in person or by proxy shall be entitled to one vote in respect of each preferred share held.

The holders of the common shares of the Company are entitled to one vote in respect of each such share held.

5. The securities offered by this prospectus consist of:

(a) \$500,000 principal amount of 4½% First Mortgage Sinking Fund Bonds Series A (hereinafter referred to as the "Series A Bonds") which by an agreement dated February 10, 1951 and subject to the terms thereof the Company has agreed to sell to Gairdner & Company Limited at the price of \$96 per \$100 principal amount plus accrued interest to date of delivery payable in cash against delivery;

(b) 25,000 preferred shares of the par value of \$30 each which were purchased by Gairdner & Company Limited from the Company at the price of \$30 per share flat subject to the payment of a commission to Gairdner & Company Limited of \$1.90 per share in consideration of its subscribing therefor; and

(c) 25,000 common shares without nominal or par value which were purchased by Gairdner & Company Limited from the Company at the price of \$2.70 per share.

The prices payable by the public for the securities offered are as shown on the face of this prospectus. In addition to the shares referred to in clauses (b) and (c) above the Company has issued 75,000 common shares, 51,000 as part of the consideration for the purchase of the assets purchased from Gurney Industries Limited and 24,000 to various subscribers at the price of \$2.70 per share.

6. The purpose for which the Series A Bonds are to supply funds is to pay the balance of the purchase price of the assets acquired from Gurney Industries Limited and the proceeds of the sale of the Series A Bonds will be sufficient for this purpose. The proceeds of the sale of the preferred shares and common shares offered by this prospectus will not go to the Treasury of the Company as the said shares are not being offered by the Company.

7. The estimated aggregate remuneration to be paid during the current financial year to directors and officers of the Company who individually may be entitled to receive remuneration in excess of \$10,000 per annum is \$71,000. During the current financial year it is not proposed to remunerate the directors as such, their remuneration during such year to relate to their office or employment and not to their directorships.

8. The estimated net proceeds to be derived from the Series A Bonds offered by this prospectus on the basis of the same being fully taken up and paid for is \$480,000 and the net proceeds derived by the Company from the sale of the preferred and common shares offered by this prospectus was \$770,000. Legal and auditing fees and other expenses in connection with the issuing of such securities will be paid out of the total net proceeds.

9. The estimated amount of preliminary expenses of the Company is \$20,000.

10. By agreement dated January 27, 1951, the Company purchased from Gurney Industries Limited whose address is 1893 Davenport Road, Toronto, all of its undertaking, property and assets except

(a) the shares of a wholly owned subsidiary of relative unimportance, Gurney Properties Limited, held by Gurney Industries Limited, and

(b) a certain mortgage dated August 15, 1946, made by Foster Richmond Estates Limited upon real property in Toronto and securing at the date of purchase a principal amount of \$112,500.

The consideration for such purchase was the payment of \$1,307,930 in cash (of which \$827,930 has been paid and \$480,000 is to be paid when the Series A Bonds have been issued), the issue to Gurney Industries

Limited as fully paid up and non-assessable of 51,000 common shares without nominal or par value in the capital stock of the Company and the assumption by the Company of all the liabilities of Gurney Industries Limited as at the close of business on January 27, 1951 other than (i) an amount of \$231,737 on account of that Company's liability for taxes on income and for provincial corporation taxes and (ii) that Company's liability to Gurney Properties Limited. There was included in the calculation of the purchase price an amount of \$157,000 for goodwill. Pursuant to the said agreement the Company acquired absolute ownership of all the property and assets of Gurney Industries Limited except as aforesaid.

11. The Series A Bonds will, in the opinion of counsel, be secured by:

(a) a first fixed and specific mortgage, hypothec, pledge or charge on all the real and immovable freehold properties now owned by the Company and all the issued shares (except directors' qualifying shares) of the subsidiaries of the Company (which shares do not constitute 25% in value of the property so mortgaged and charged) and

(b) a floating charge on the undertaking and all other assets of the Company now owned or hereafter acquired and not validly subjected to the specific mortgage, hypothec, pledge or charge. The first fixed and specific mortgage, hypothec, pledge or charge will be expressed to be applicable to all real and immovable freehold properties hereafter acquired by the Company. The principal assets of the Company are situated in the provinces of Quebec and Ontario and the trust deed will be registered only in those provinces.

The \$500,000 principal amount of Series A Bonds offered by this prospectus will be issued under the provisions of a deed of trust and mortgage (herein called the "trust deed") to be made as of the 15th day of February, 1951 between the Company and National Trust Company, Limited. The trust deed will contain provisions permitting the issuance from time to time of Bonds up to an aggregate principal amount of \$1,000,000 of which the Series A Bonds will be authorized as an initial issue. Additional Bonds may be issued but only to the extent of the aggregate of 66⅔% of the cost or fair value (to be determined in the manner to be provided in the trust deed) whichever is the lower of additional property (as to be defined in the trust deed) situated in Canada acquired by the Company or any wholly-owned subsidiary company by purchase, construction or otherwise subsequent to February 15, 1951 and 66⅔% of the cost or fair value (to be determined in the manner to be provided in the trust deed) whichever is the lower of property (as to be defined in the trust deed) situated in Canada of any wholly-owned subsidiary of the Company all the shares of which are acquired by the Company subsequent to February 15, 1951 provided that such additional property and such property are subjected to a first fixed and specific mortgage, hypothec, pledge or charge securing the Bonds and provided that the average annual consolidated net earnings (as to be defined in the trust deed) of the Company and its subsidiary companies for the 3 completed fiscal years next preceding the date of application to the Trustee for the issuance of such additional Bonds shall have been at least equal to three times the aggregate annual interest requirements of all the Bonds then outstanding and the Bonds then proposed to be issued.

The Series A Bonds offered by this prospectus will be dated as of February 15, 1951, will mature on February 15, 1966 and will be payable as to principal, premium (if any) and interest at the rate of 4½% per annum (payable semi-annually on February 15 and August 15 in each year) in lawful money of Canada at the option of the holder at the principal office of the Company's bankers in any one of the Cities of Toronto, Montreal, Halifax, Winnipeg and Vancouver.

The trust deed will provide that the Series A Bonds will be redeemable in whole or in part at the option of the Company on not less than 30 days' notice at 103 if redeemed on or before February 15, 1952 and thereafter decreasing ¼ of 1% of the principal amount thereof for each year commenced or elapsed from February 15, 1952 to the date of redemption until February 15, 1963 and thereafter and prior to maturity at 100, in all cases with accrued interest to the date of redemption; provided always that if Series A Bonds are called for redemption out of sinking fund moneys the Series A Bonds will be redeemable at 101 if redeemed on or before February 15, 1961 and thereafter and prior to maturity at 100, in all cases with accrued interest to the date of redemption. If less than all the Series A Bonds are redeemed by call at any one time such Series A Bonds to be redeemed are to be drawn by lot by the Trustee in such manner as it shall deem equitable.

The trust deed will also provide for a sinking fund into which the Company will covenant to pay on February 15 in each of the years 1952 to 1965 inclusive the sum of \$24,057 plus an amount equivalent to the annual interest on the Series A Bonds retired or the retirement of which has been provided for through the operation of the sinking fund. The Company will covenant and agree in the trust deed to pay to the Trustee on demand such amounts as may be paid by the Trustee in retiring Series A Bonds out of sinking fund moneys to the extent that the cost thereof (including costs of purchase) exceeds the principal amount thereof. The Company is to be entitled to purchase Series A Bonds at not exceeding the redemption price current at the time of purchase in respect of Series A Bonds redeemed otherwise than out of sinking fund moneys plus costs of purchase and tender them to the Trustee at the principal amount thereof in lieu of making sinking fund payments in cash. The sinking fund moneys are to be applied by the Trustee in purchasing for cancellation Series A Bonds at not exceeding the redemption price current at the time of purchase in respect of Series A Bonds redeemed out of sinking fund moneys plus costs of purchase and if Series A Bonds are not obtainable are to be applied in retiring Series A Bonds by call for redemption at such redemption price. The Trustee is not to be bound to call Series A Bonds for redemption with the sinking fund moneys if the moneys in the sinking fund are less than \$10,000.

The trust deed is also to contain a covenant that the Company will not reduce, redeem, purchase for cancellation or otherwise pay off any of its outstanding shares, except for the purpose of or out of the sinking fund to be established in accordance with the provisions attaching to the preferred shares, or pay any dividends on any shares of the Company having no priority as to capital or dividends when the consolidated net current assets (as to be defined in the trust deed) of the Company and its subsidiary companies are below or which would reduce such consolidated net current assets below 125% of the principal amount of all the Bonds outstanding.

The trust deed will provide that the directors of the Company may determine consolidated net current assets as of a date not more than 90 days prior to the making of such determination and that there may be included in such determination as current assets the net proceeds or estimated net proceeds of the sale of bonds, shares and/or other obligations of the Company issued or to be issued for cash and upon any determination being made by the directors consolidated net current assets as of any date within a period of 90 days following the date as of which such determination is made unless any further determination is made within such period shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding upon the Company, the Trustee and the holders of the Bonds.

The trust deed is also to contain a covenant that the Company will not (subject to certain exceptions) create or permit any subsidiary to create any funded indebtedness (as to be defined in the trust deed).

The Company will covenant in the trust deed that (except as therein provided) it will not and will not permit any subsidiary company to sell or otherwise dispose of, pledge, hypothecate or otherwise encumber any shares of a subsidiary company owned by the Company or a subsidiary company whether or not the same are pledged under the trust deed and that if the Company after the 15th day of February, 1951 acquires shares of a company engaged in a business similar to or related to the business of the Company to such an amount that such company shall become a subsidiary company then (unless the Company shall determine to liquidate or dissolve such company in accordance with provisions to be contained in the trust deed) the Company shall cause all the shares (except directors' qualifying shares) of such company acquired by the Company to be subjected to the lien and charge of the trust deed by way of a first fixed and specific mortgage, pledge or charge. The trust deed will contain provisions permitting the sale or other disposal of shares of a subsidiary company on terms and conditions to be contained in the trust deed.

The trust deed will provide that any additional Bonds that may be issued under the trust deed shall not mature earlier than February 15, 1966 and that any sinking fund for additional Bonds shall not be proportionately greater than the sinking fund payments in respect of the Series A Bonds issued under the trust deed.

12. The Company has entered into the following material contracts since its incorporation which were not in the ordinary course of business:

(a) the agreement referred to in paragraph 10 hereof whereby the Company acquired substantially all the assets of Gurney Industries Limited;

(b) a contract dated February 9, 1951 with The Gurney Massey Company Limited (wholly owned subsidiary) whereby the Company purchased the real and immovable property of The Gurney Massey Company Limited consisting of lands and buildings forming part of the manufacturing plant operated by the Company at St. Laurent, Quebec;

(c) the agreement dated February 10, 1951 with Gairdner & Company Limited referred to in paragraph 5 whereby the latter subject to the terms therein contained agreed to purchase the Series A Bonds.

The said agreements may be inspected during normal business hours (excluding Saturday) at the Head Office of the Company during the course of primary distribution to the public of the Series A Bonds, preferred and common shares offered by this prospectus.

13. The by-laws of the Company provide as follows with respect to the remuneration of the directors:

"The remuneration to be paid the directors shall be such as the Board shall from time to time determine and the total amount of such remuneration shall be divided among the directors in such proportions as may be determined by the Board. Any proportion of such remuneration received by any director who is also an officer of the Company shall be in addition to his salary as such officer.

The Board may also by resolution award special remuneration out of the funds of the Company to any director undertaking any special work or mission on the Company's behalf other than the routine work ordinarily required of a director of the Company and the confirmation of any such resolution or resolutions by the shareholders shall not be required as a condition precedent to the validity thereof or of any payment or payments made thereunder."

14. The Company was incorporated for the purpose of acquiring certain of the assets and the undertaking of, and carrying on the business formerly carried on by, Gurney Industries Limited. The directors of the Company were and are directors of Gurney Industries Limited and shareholders thereof. No sum has been paid or agreed to be paid to any director or to any firm of which any director is a partner in cash or securities or otherwise by any person either to induce him to become or to qualify him as a director or otherwise for services rendered by him or any such firm in connection with the promotion or formation of the Company.

15. The Company has been carrying on business since January 27, 1951 when it acquired the assets and undertaking of Gurney Industries Limited which has been carrying on business since 1893.

16. By reason of beneficial ownership of 51% of the common shares of the Company Trafalgar Investments Co. Limited, 320 Bay Street, Toronto, Ontario, is in a position to elect a majority of the directors of the Company.

17. No substantial indebtedness other than herein mentioned is to be created or assumed which is not shown in the pro forma consolidated balance sheet as at January 29, 1951 forming part of this prospectus.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), and there is no further material information applicable other than in the financial statements or reports where required.

DATED this 23rd day of February, 1951.

Directors

E. H. GURNEY
by his agent authorized in writing
(Signed) G. B. BEATTY

(Signed) R. OATEN

J. A. GAIRDNER
by his agent authorized in writing
(Signed) J. S. GAIRDNER

(Signed) G. B. BEATTY

T. E. NICHOL
by his agent authorized in writing
(Signed) G. B. BEATTY

(Signed) A. G. WALWYN

(Signed) R. S. M. AUSMAN

Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), and there is no further material information applicable other than in the financial statements or reports where required. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

GAIRDNER & COMPANY LIMITED
by (Signed) R. O. BULL

TORONTO STOCK EXCHANGE

LISTING STATEMENT

GURNEY PRODUCTS LIMITED

An operating Company incorporated under the laws of Canada
by Letters Patent dated the 24th day of January, 1951.

CUMULATIVE REDEEMABLE SINKING FUND PREFERRED SHARES OF THE PAR VALUE
OF \$30.00 EACH AND COMMON SHARES WITHOUT NOMINAL OR PAR VALUE
(Transferable in Toronto and Montreal)

CAPITAL SECURITIES AS AT JULY 12th, 1951

| STOCK | Number of Shares Authorized | Number of Shares Outstanding | Number of Shares to be Listed |
|--|-----------------------------------|------------------------------------|-------------------------------------|
| Cumulative Redeemable Sinking Fund Preferred Shares — par value \$30.00 each | 50,000 | 25,000 | 25,000 |
| Common Shares — no par value..... | 300,000 | 100,000 | 100,000 |

| FUNDED DEBT | Amount of Bonds Authorized | Amount of Bonds Outstanding |
|--|----------------------------------|-----------------------------------|
| First Mortgage Bonds..... | \$1,000,000.00 | |
| 4½% First Mortgage Sinking Fund Bonds Series A.. | | \$500,000.00 |

Toronto, Ontario, July 19th, 1951.

1. APPLICATION

GURNEY PRODUCTS LIMITED (herein referred to as "the Company") hereby makes application for listing on the Toronto Stock Exchange of its issued 25,000 cumulative redeemable sinking fund preferred shares of the par value of \$30.00 each and its issued 100,000 common shares without nominal or par value, all of which are outstanding.

2. HISTORY

The business with which the Gurney name is associated has been in continuous operation for more than one hundred years. Edward and Charles Gurney began manufacturing coal and wood-burning stoves in 1842. The Gurney Foundry Company Limited was incorporated in 1893 and in 1922 a division of that Company began the manufacture of electric and gas ranges and heaters in St. Laurent, P.Q. (near Montreal). In March, 1950, The Gurney Foundry Company Limited sold its Toronto plant but continued its production and distribution of stoves and ranges from the St. Laurent plant without change. Because the major foundry capacity had been sold the corporate name was changed to Gurney Industries Limited. Gurney Products Limited was formed in January, 1951, to purchase, and did purchase, the plant and equipment and certain other assets of Gurney Industries Limited as a going concern. Gurney Products Limited continues to manufacture the same lines as the predecessor Company manufactured at the time of the sale and to sell its products under the same trade names.

3. NATURE OF BUSINESS AND NUMBER OF EMPLOYEES

The Company is one of the largest manufacturers of electric, gas, coal and wood ranges in Canada. Its products are sold under the Gurney name from coast to coast through an established organization of dealers and jobbers. Branch offices are located in Montreal, Vancouver and Winnipeg.

The Company maintains an Engineering and Experimental Department which has contributed to the continuous improvement of the Company's products in regard to efficiency and design. The predecessor Company was particularly successful in developing increased production and sales in spite of recurrent material shortages of one kind or another which have characterized the wartime and post-war periods.

At the present time the Company employs between 430 and 500 persons.

This listing statement is a copy of the listing application made by the applicant company. The Exchange has received no consideration in connection with the issue of this listing statement other than the customary listing fee. The papers and exhibits submitted by the applicant company in support of the listing application are open for inspection at the general office of the Exchange.

INCORPORATION

The Company was incorporated under The Companies Act, 1934, as amended (Canada) by Letters Patent dated the 24th day of January, 1951, with the following authorized capital structure:

50,000 cumulative redeemable sinking fund preferred shares of the par value of \$30.00 each; and

300,000 common shares without nominal or par value;

Provided, however, that the consideration for the issue of the said 300,000 common shares without nominal or par value shall not exceed in amount or value the sum of \$900,000 or such greater amount as the directors of the Company deem expedient and is authorized by the Secretary of State of Canada.

The respective rights, restrictions, conditions and limitations attaching to the said shares are set out in the Letters Patent dated 24th day of January, 1951, and referred to below under the heading "Stock Provisions and Voting Powers."

NO PERSONAL LIABILITY — OPINION OF COUNSEL

All of the issued and outstanding capital stock of the Company is fully paid and non-assessable and no personal liability attaches to the ownership thereof.

In the opinion of Messrs. Blake, Anglin, Osler & Cassels, counsel for the Company, Gurney Products Limited, the applicant, is a validly created and duly existing corporation under the laws of Canada and the issued preferred and common shares of the Company are fully paid and non-assessable.

SHARE ISSUES

All of the 25,000 issued and outstanding preferred shares of the par value of \$30.00 each were purchased by Gairdner & Company Limited from the Company on the 27th day of January, 1951, at the price of \$30.00 per share in cash, subject to the payment of a commission to said Gairdner & Company Limited of \$1.90 per share in consideration of its subscribing therefor. The total net amount realized by the Company from the sale of such preferred shares was \$702,500.

Of the issued and outstanding common shares, 49,000 of such shares were issued by the Company to various subscribers on the 27th day of January, 1951, at the price of \$2.70 per share in cash. The total net amount realized by the Company from the sale of such common shares was \$132,300.

The remaining 51,000 issued and outstanding common shares were issued by the Company on the 27th day of January, 1951, as part of the consideration for the purchase of the assets which were purchased from Gurney Industries Limited.

STOCK PROVISIONS AND VOTING POWERS

As appears more particularly and with further detail in the Letters Patent of the Company dated the 24th day of January, 1951, the preferred and common shares have attached thereto certain rights, restrictions, conditions and limitations.

The cumulative redeemable sinking fund preferred shares are preferred as to dividends and as to capital; entitled to fixed preferential cumulative dividends accruing from February 1st, 1951, at the rate of \$1.60 per share per annum, payable quarterly (February 1st, May 1st, August 1st and November 1st) as and when declared by the board of directors by cheque at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted). The holders of the preferred shares are entitled on the liquidation, dissolution or winding up of the Company or other distribution of its assets among its shareholders for the purpose of winding up its affairs, to receive the par value of their shares and all accrued and unpaid dividends thereon and, if such liquidation, dissolution, winding up or other distribution be voluntary, a premium of \$1.50 per share before any distribution is made to the holders of any other shares of the Company. The Company may purchase preferred shares for cancellation in the market or by invitation for tenders addressed to all the holders of record of the preferred shares at prices not exceeding \$31.50 per share plus all unpaid and accrued dividends thereon plus costs of purchase. The preferred shares are redeemable at the option of the Company in whole at any time or (subject to certain restrictions set forth in said Letters Patent) in part from time to time by lot on at least 30 clear days' notice at \$31.50 per share plus all accrued and unpaid dividends.

On or before the first day of May in each year commencing with 1952, and so long as any of the preferred shares remain outstanding, the Company is required to set aside as a sinking fund for the retirement of the preferred shares an amount equal to 3% of the par value of the greatest number of preferred shares theretofore issued or 15% of the net profits of the Company (as defined in said Letters Patent) for the preceding fiscal year whichever shall be greater (but not exceeding the whole of such net profits), provided that the aggregate of the amounts set aside for sinking fund purposes and not used in the purchase of preferred shares is not required at any time to exceed \$50,000. The Company shall apply the moneys in the sinking fund as soon as reasonably possible in the purchase of preferred shares for cancellation subject to the limitations provided as to price.

There are restrictions against the payment of dividends on or the redemption purchase or paying off of any shares of the capital stock of the Company other than the preferred shares in certain events set forth in the said Letters Patent. The holders of the preferred shares are not entitled to receive notice of or to attend any meetings of shareholders except when the Company shall fail to pay certain dividends or make default under the sinking fund provisions relating to the preferred shares. There are certain restrictive provisions contained in the said Letters Patent which provide that the Company shall not without, but may from time to time with, the approval of the holders of the preferred shares do certain things specified in said Letters Patent.

The holders of the common shares of the Company are entitled to one vote in respect of each such share held.

8.

DIVIDEND RECORD

The Company has not paid any dividends on its common shares. The only dividend paid on its preferred shares was a dividend at the rate of 40c per share payable on May 1st, 1951, and the total amount of such dividend was \$10,000.

The dividends paid by its predecessor Company, Gurney Industries Limited, during the preceding ten years are as follows:

| Payment Date | Rate per Share | Amount of Dividend |
|---|-----------------------|--------------------|
| 1940-1947, inclusive — No dividends paid. | | |
| Jan. 15, 1948..... | \$5.00 per Share..... | \$42,950.00 |
| Dec. 6, 1948..... | 3.00 " "..... | 25,770.00 |
| Jan. 28, 1949..... | 5.00 " "..... | 42,950.00 |
| Dec. 5, 1949..... | 5.00 " "..... | 42,950.00 |
| Mar. 31, 1950..... | 5.00 " "..... | 42,950.00 |
| Aug. 11, 1950..... | 5.00 " "..... | 42,950.00 |

There was also a large dividend paid at December 29th, 1950, in anticipation of liquidation of the Company, that should not be considered as part of any annual dividend program.

9.

PROPERTIES

The properties, all of which are owned by the Company, are located at St. Laurent, P.Q. and Toronto, Ontario.

The properties at St. Laurent consist of 10 $\frac{1}{4}$ acres of industrial land on which are located several factory buildings having a total floor space of 202,000 square feet.

The property at Toronto consists of an office building known as 1893 Davenport Road, Toronto.

10.

SUBSIDIARY COMPANIES

The only subsidiary or controlled Companies of the applicant are:

GURNEY FINANCE LIMITED —

Dominion Charter April 29th, 1938.

Authorized Capital: \$50,000.00 consisting of 500 Common Shares of Par Value \$100.00 each.

Issued: 250 Shares. Wholly owned by parent company.

GURNEY NORTH-WEST FOUNDRY COMPANY LIMITED —

Manitoba Charter June 10, 1907.

Authorized Capital: \$250,000.00 consisting of 2,500 Common Shares of Par Value \$100.00 each.

Issued: 1,400 Shares. Wholly owned by parent company.

THE GURNEY-MASSEY COMPANY LIMITED —

Dominion Charter April 13th, 1893.

Authorized Capital: \$2,500.00 consisting of 500 Common Shares of Par Value \$5.00 each.

Issued: 500 Shares. Wholly owned by parent company.

There are qualifying directors' shares in the names of directors of all of the above subsidiary companies.

11.

FUNDED DEBT

By Deed of Trust and Mortgage dated as of the 15th day of February, 1951, between the Company and National Trust Company, Limited, the Company is permitted to issue from time to time, subject to the terms and conditions therein contained, first mortgage bonds to an aggregate principal amount of \$1,000,000.00. 4 $\frac{1}{2}$ % First Mortgage Sinking Fund Bonds Series A in the principal amount of \$500,000.00 were issued under the said Deed of Trust and Mortgage. The said Series A bonds are dated the 15th day of February, 1951, mature the 15th day of February, 1966, bear interest at the rate of 4 $\frac{1}{2}$ % per annum payable semi-annually on the 15th days of February and August in each year, after as well as before maturity and after as well as before default with interest on overdue interest at the same rate. The said bonds are a direct obligation of the Company and are secured by:

(a) a first fixed and specific mortgage, hypothec, pledge or charge on all the real and immovable freehold properties now owned by the Company and all the issued shares (except directors' qualifying shares) of the subsidiaries of the Company (which shares do not constitute 25% in value of the property so mortgaged and charged) and

(b) a floating charge on the undertaking and all other assets of the Company now owned or hereafter acquired and not validly subjected to the specific mortgage, hypothec, pledge or charge. The first fixed and specific mortgage, hypothec, pledge or charge will be expressed to be applicable to all real and immovable freehold properties hereafter acquired by the Company. The principal assets of the Company are situated in the provinces of Quebec and Ontario and the trust deed will be registered only in those provinces.

12.

OPTIONS AND UNDERWRITINGS

There are no shares of the Company under option.

13.

LISTING ON OTHER STOCK EXCHANGES

No securities of the Company are listed on any other stock exchange.

14.

SECURITIES COMMISSION REGISTRATION

The Company filed with the Ontario Securities Commission the material required to be filed in connection with the issue of its \$500,000.00 principal amount 4 $\frac{1}{2}$ % First Mortgage Sinking Fund Bonds Series A, its 25,000 outstanding Cumulative Redeemable Sinking Fund Preferred Shares of the par value of \$30.00 each and 25,000 of its outstanding Common Shares without nominal or par value. By letter dated the 26th day of February, 1951, the Ontario Securities Commission acknowledged receipt of this material.

15. FISCAL YEAR
The Company's fiscal year ends on the 31st day of December.

16. ANNUAL MEETING
It is provided in the general by-laws of the Company that the annual meeting of the shareholders shall be held once a calendar year at such time and place in Canada as may be determined by the Directors not later than the last business day in April.
No annual meeting of the Company has been held, as the Company was incorporated in 1951.

17. HEAD AND OTHER OFFICES
The head office of the Company is located at 1893 Davenport Road, Toronto, Ontario, and the Company maintains a plant administrative office and a branch sales office at St. Laurent, P.Q. Branch sales offices are located at Vancouver and Winnipeg.

18. TRANSFER AGENT
National Trust Company, Limited, at Toronto and Montreal, is the transfer agent in respect of the preferred and the common shares of the Company. The shares of the Company are interchangeably transferable at such offices.

19. TRANSFER FEES
No fee is charged on transfer of the preferred or the common shares, other than the customary Government stock transfer taxes.

20. REGISTRAR
National Trust Company, Limited, at Toronto and Montreal, is the registrar of the preferred and the common shares of the Company.

21. AUDITORS
The auditors of the Company are Messrs. George A. Touche & Co., 67 Yonge Street, Toronto Ontario.

22. OFFICERS

| NAME | POSITION | ADDRESS |
|-------------------------------|------------------------------------|---|
| Edward Holt Gurney..... | <i>Chairman of the Board</i> | 347 Walmer Road, Toronto, Ontario |
| Geoffrey Byrne Beatty..... | <i>President</i> | R.R. 1, Richmond Hill, Ontario |
| Harry William Roy Oaten..... | <i>Vice-President</i> | 38 Burnside Drive, Toronto, Ontario |
| James Arthur Gairdner..... | <i>Vice-President</i> | Lakeshore Highway East, Oakville, Ontario |
| Roy Stewart Minto Ausman..... | <i>Secretary-Treasurer</i> | 44 Birchview Crescent, Toronto, Ontario |

23. DIRECTORS

| NAME | OCCUPATION | ADDRESS |
|-------------------------------|-----------------------------------|---|
| Edward Holt Gurney..... | <i>Manufacturer</i> | 347 Walmer Road, Toronto, Ontario |
| Geoffrey Byrne Beatty..... | <i>Manufacturer</i> | R.R. 1, Richmond Hill, Ontario |
| Harry William Roy Oaten..... | <i>Manufacturer</i> | 38 Burnside Drive, Toronto, Ontario |
| Thomas Everett Nichol..... | <i>Purchasing Executive</i> | 17 Dobie Street, Mount Royal, Quebec |
| James Arthur Gairdner..... | <i>Investment Dealer</i> | Lakeshore Highway East, Oakville, Ontario |
| Arthur Gladstone Walwyn..... | <i>Investment Dealer</i> | 39 South Drive, Toronto, Ontario |
| Roy Stewart Minto Ausman..... | <i>Executive</i> | 44 Birchview Crescent, Toronto, Ontario |

24. CERTIFICATE
PURSUANT to a resolution duly passed by its Board of Directors the applicant Company hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



GURNEY PRODUCTS LIMITED
"G. B. BEATTY," *President*.
"R. S. M. AUSMAN," *Secretary*.

STATEMENT SHOWING NUMBER OF SHAREHOLDERS
DISTRIBUTION OF STOCK AS OF JUNE 14th, 1951

| Holders of | Preferred | | Common | |
|-------------------------|-----------|---------------|--------|---------------|
| | No. of | No. of Shares | No. of | No. of Shares |
| 1 - 100 share lots..... | 315 | 12,735 | 300 | 12,866 |
| 101 - 200 " "..... | 12 | 2,145 | 13 | 2,395 |
| 201 - 300 " "..... | 4 | 990 | 4 | 990 |
| 301 - 400 " "..... | 2 | 700 | 6 | 2,050 |
| 401 - 500 " "..... | 3 | 1,285 | 4 | 1,865 |
| 501 - 1000 " "..... | 2 | 1,300 | 8 | 7,200 |
| 1001 - up | 3 | 5,845 | 9 | 72,634 |
| | 341 | 25,000 | 344 | 100,000 |

FINANCIAL STATEMENT

GURNEY PRODUCTS LIMITED

(Incorporated under the laws of Canada, the 24th January, 1951)

AND ITS SUBSIDIARIES

THE GURNEY MASSEY COMPANY LIMITED,

GURNEY NORTH-WEST FOUNDRY COMPANY LIMITED, GURNEY FINANCE LIMITED

CONSOLIDATED BALANCE SHEET AS AT THE 29th JANUARY, 1951

ASSETS

CURRENT ASSETS:

| | |
|---|-----------------------|
| Cash on hand and in banks (Note 1)..... | \$ 202,186.00 |
| Accounts and notes receivable less provision for doubtful accounts | |
| Trade accounts..... | \$299,829.00 |
| Instalment notes..... | 30,733.00 |
| | <u>330,562.00</u> |
| Inventories of finished goods, goods in process, materials and supplies, valued at the lower of cost or market, as certified by responsible officials (Note 2)..... | 760,229.00 |
| Cash surrender value of life insurance policies..... | 10,328.00 |
| | <u>\$1,303,305.00</u> |

PREPAID INSURANCE and other expenses.....

23,247.00

PROPERTY, PLANT AND EQUIPMENT (Note 3):

| | |
|---|-------------------|
| Land..... | \$ 68,000.00 |
| Buildings, machinery and equipment..... | 907,269.00 |
| | <u>975,269.00</u> |
| SUNDRY INVESTMENTS, at cost..... | 1,525.00 |

\$2,303,346.00

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

| | |
|---|--------------|
| Provision for income and other taxes payable..... | \$ 30,020.00 |
| Accounts payable and accrued charges..... | 286,156.00 |

\$ 316,176.00

FUNDED DEBT:

First Mortgage Bonds (Note 4):

Authorized—\$1,000,000.00

Issued and outstanding—4½% Sinking Fund Bonds Series A, maturing the 15th February, 1966..... 500,000.00

CAPITAL STOCK:

Authorized:

50,000 Cumulative redeemable sinking fund preferred shares of the par value of \$30.00 each, entitled to an annual dividend of \$1.60 per share; redeemable at \$31.50 per share.

300,000 Common shares without nominal or par value.

Issued (Note 5):

25,000 Preferred shares for cash..... \$750,000.00

100,000 Common shares (of which 49,000 were issued for \$132,300.00 cash and 51,000 were issued under the terms of the agreement for the purchase of certain assets of the vendor company)..... 300,000.00

1,050,000.00

CAPITAL SURPLUS arising from the revaluation of assets less charges as described in

Note 6..... 437,170.00

\$2,303,346.00

Approved on behalf of the Board:

"G. B. BEATTY," *Director.*

"R. OATEN," *Director.*

The accompanying Notes to Financial Statements are an integral part of this Balance Sheet.

The above is the Balance Sheet referred to in our Report dated the 15th June, 1951.

GEORGE A. TOUCHE & CO.

Chartered Accountants, Auditors.

CERTIFICATE

To the Directors,

GURNEY PRODUCTS LIMITED:

We have examined the attached Consolidated Balance Sheet of Gurney Products Limited and Subsidiary Companies as at the 29th January, 1951, and have obtained all the information and explanations which we require. Our examination of inventories has been limited to the testing of prices and arithmetical calculations on the inventory sheets presented to us.

Based upon such examination, we report that in our opinion the attached Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs as at the 29th January, 1951, according to the best of our information and the explanations given to us, and as shown by the books of the companies.

GEORGE A. TOUCHE & CO.

Chartered Accountants, Auditors.

Dated at Toronto, Ontario, 15th June, 1951.

NOTES TO FINANCIAL STATEMENTS AS AT THE 29th JANUARY, 1951

(1) CASH ON HAND AND IN BANKS

This balance includes items in transit at the date of the balance sheet amounting to \$834,802 which have since been deposited and gives effect to the payment of \$827,930 to Gurney Industries Limited.

(2) INVENTORIES

The inventory amounts have been determined from a physical count made as at the 31st December, 1950, adjusted for subsequent purchases and sales as recorded in the accounts of the vendor company, Gurney Industries Limited.

(3) PROPERTY, PLANT AND EQUIPMENT

These assets are represented on the Balance Sheet at valuations determined by the Directors as of the 29th January, 1951, after their having reviewed an appraisal (showing the cost to reproduce new less depreciation) made for the vendor company on the 1st May, 1949, by Stone & Webster Engineering Corporation of Boston, Mass., U.S.A., and taking into consideration additions and disposals since that time, and depreciation at rates allowed by the Department of National Revenue, Income Tax Division. These values as finally determined by the Directors are less than the adjusted depreciated appraisal figures by approximately \$500,000.

(4) 4½% FIRST MORTGAGE SINKING FUND BONDS SERIES A

The Trust Deed securing these bonds requires annual Sinking Fund payments to commence on the 15th February, 1952. The individual payments amount to \$24,057, plus the amount of the annual interest on redeemed bonds.

The Trust Deed precludes the payment of dividends on any shares of the capital stock having no priority as to capital or dividends when the consolidated net current assets, as defined in the Trust Deed, are or by said action would be, less than one hundred and twenty-five per centum (125%) of the principal amount of all bonds outstanding, or if the Company is in arrears in respect of interest or Sinking Fund obligations.

(5) CUMULATIVE REDEEMABLE SINKING FUND PREFERRED SHARES

On or before the first day of May in each year commencing with 1952, and so long as any of the Preferred Shares remain outstanding, the Company is required to set aside as a sinking fund for the retirement of the Preferred Shares an amount equal to 3% of the par value of the greatest number of Preferred Shares theretofore issued or 15% of the net profits of the Company (as defined) for the preceding fiscal year whichever shall be greater (but not exceeding the whole of such net profits), provided that the aggregate of the amounts set aside for sinking fund purposes and not used in the purchase of Preferred Shares is not required at any time to exceed \$50,000. The Company shall apply the monies in the sinking fund as soon as reasonably possible in the purchase of Preferred Shares for cancellation subject to the limitations provided as to price.

(6) CAPITAL SURPLUS

This is made up as follows:

| | |
|---|---------------------|
| Increase in book amount of property, plant and equipment..... | \$661,670.00 |
| Less: Goodwill and commission on issue of preferred shares written off..... | 204,500.00 |
| | <u>\$457,170.00</u> |
| Less: Discount on bonds issued in 1951..... | 20,000.00 |
| Balance per Consolidated Balance Sheet..... | <u>\$437,170.00</u> |

COMPARATIVE STATEMENT OF CONSOLIDATED EARNINGS

To the Directors,
Gurney Products Limited

We have examined the following statement of consolidated earnings of Gurney Industries Limited (formerly The Gurney Foundry Company Limited) and Subsidiary Companies for the ten years ended the 31st December, 1950, and the period ended the 29th January, 1951. In connection therewith, we have made an examination of the books and accounts of the companies for the year ended the 31st December, 1950, and the period ended the 29th January, 1951 and have reviewed statements reported upon by the companies' previous auditors for the nine years ended the 31st December, 1949.

GURNEY INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES STATEMENT OF CONSOLIDATED EARNINGS

for the Ten Years Ended the 31st December, 1950 and the Period Ended the 29th January, 1951

| | Earnings from operations and miscellaneous income before depreciation, bond interest and taxes | Depreciation (Note a) | Earnings available for bond interest | Interest on bonds | Earnings before taxes on income | Taxes on income | Net Earnings |
|--------------------------|--|--------------------------|---|----------------------|--|--------------------|-----------------|
| 1941..... | \$302,527 | \$161,556 | \$140,971 | \$ 48,288 | \$ 92,683 | \$ 33,200 | \$ 59,483 |
| 1942..... | 216,974 | 143,235 | 73,739 | 45,995 | 27,744 | 13,800 | 13,944 |
| 1943..... | 163,727 | 94,632 | 69,095 | 42,640 | 26,455 | 8,000 | 18,455 |
| 1944..... | 129,693 | 77,407 | 52,286 | 37,447 | 14,839 | 4,900 | 9,939 |
| 1945..... | 217,719 | 94,527 | 123,192 | 33,957 | 89,235 | 39,500 | 49,735 |
| 1946..... | 260,450 | 77,705 | 182,745 | 28,308 | 154,437 | 87,000 | 67,437 |
| 1947..... | 374,217 | 76,400 | 297,817 | 16,703 | 281,114 | 138,000 | 143,114 |
| 1948..... | 402,723 | 82,312 | 320,411 | 27,869 | 292,542 | 116,200 | 176,342 |
| 1949..... | 894,276 | 107,411 | 786,865 | 25,275 | 761,590 | 330,000 | 431,590 |
| 1950 (Note b)..... | 726,054 | 16,964 | 709,090 | 8,955 | 700,135 | 316,000 | 384,135 |
| 1951 to Jan. 29 (Note c) | — | — | — | — | — | — | — |

NOTES: (a) Provision for depreciation has been based upon the rates and values of fixed assets recognized for income tax purposes for Gurney Industries Limited. The adoption of the reducing balance method of computing depreciation caused an increase in the provision in 1949 and the sale of the West Toronto plant a decrease in 1950.

(b) The West Toronto plant known as Heating Equipment Division, including inventories and goodwill belonging to it, was sold in March, 1950.

(c) For the period from January 1st to January 29th, 1951 the earnings from operations and miscellaneous income were \$1,075, the taxes on income amounted to \$500 and net earnings were \$575. Because of the seasonal nature of the stove business these earnings do not give any indication with regard to the profits for the whole year.

(d) This statement does not include non-recurring items, the net totals of which for the periods were:

| | | |
|--|-------------|--------------|
| Profits on sales of property, plant and equipment..... | Credit..... | \$400,161.00 |
| Profits on sales of investments..... | Credit..... | 14,678.00 |
| Discount and expenses in connection with issue and redemption of company's own bonds ... | Debit..... | 54,594.00 |
| Other miscellaneous items..... | Credit..... | 15,984.00 |

We have examined also the following statement of consolidated earnings considered applicable to the Stove Division, which has been prepared from the statement shown above on the following basis: sales, cost of sales, depreciation and other direct charges and costs have been taken at the actual amounts applicable to the Stove Division; income from investments, other miscellaneous income and charges have been apportioned equally between the heating and stove operations; administrative and financial expenses, including bond interest, have been apportioned on the basis of sales; taxes on income have been calculated on the taxable income using the rates in effect during the respective years.

**GURNEY INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES STATEMENT OF
CONSOLIDATED EARNINGS CONSIDERED APPLICABLE TO THE STOVE DIVISION
for the Ten Years Ended the 31st December, 1950**

| | Earnings from operations and miscellaneous income before depreciation, bond interest and taxes on this ascribed income | Depreciation (Note e) | Earnings available for bond interest | Interest on bonds | Earnings before taxes on income | Taxes on ascribed income | Net earnings |
|-----------|--|--------------------------|---|----------------------|--|--------------------------------|-----------------|
| 1941..... | \$194,698 | \$ 56,673 | \$138,025 | \$ 27,524 | \$110,501 | \$ 56,800 | \$ 53,701 |
| 1942..... | 139,449 | 50,479 | 88,970 | 23,020 | 65,950 | 23,700 | 42,250 |
| 1943..... | 195,785 | 30,144 | 165,641 | 23,878 | 141,763 | 89,600 | 52,163 |
| 1944..... | 169,715 | 27,103 | 142,612 | 21,345 | 121,267 | 73,600 | 47,667 |
| 1945..... | 155,302 | 27,846 | 127,456 | 19,695 | 107,761 | 52,800 | 54,961 |
| 1946..... | 225,971 | 26,035 | 199,936 | 15,003 | 184,933 | 98,300 | 86,633 |
| 1947..... | 235,563 | 26,347 | 209,216 | 8,853 | 200,363 | 100,300 | 100,063 |
| 1948..... | 265,671 | 27,114 | 238,557 | 15,885 | 222,672 | 88,600 | 134,072 |
| 1949..... | 560,621 | 42,706 | 517,915 | 13,902 | 504,013 | 209,300 | 294,713 |
| 1950..... | 579,635 | 16,964 | 562,671 | 8,060 | 554,611 | 242,900 | 311,711 |

NOTE: (e) The provision for depreciation for future years by Gurney Products Limited will be related to the carrying values on the books of that Company. It is estimated that approximately \$15,000 will be recognized as a charge to taxable income in 1951.

Based upon the examination and reports of previous auditors referred to in the foregoing, we report that in our opinion the foregoing statements of consolidated earnings fairly present the results of the operations of Gurney Industries Limited and its subsidiaries for the periods shown and of the consolidated earnings ascribed to the Stove Division for the ten years ended the 31st December, 1950.

GEORGE A. TOUCHE & CO.

Chartered Accountants, Auditors.

Dated at Toronto, Ontario, June 15th, 1951.

